

PPP Round #2 Question and Answer:

Q: What is/are the easiest way to determine the FTE forgiveness quotient for PPP Loan 1? Is it an average FTE over a covered period, or FTE as of a begin date, end date, and 12/31/20?

A: You must compute FTEs on an average monthly basis using your payroll period frequency, for the duration of your chosen covered period. Note that a forgiveness app now for Round 1 allows you to self-select your CP to anytime between 8-24 weeks to best tailor to your FTE situation.

Q: I was hoping you could provide clarification on the eligible entities under the Shuttered Venue Operators Grant. We are in the kids entertainment industry. We have a party and event rental division, a roller rink, and an inflatable jump center. I haven't applied for PPP yet because the SVOG specifically states you can't receive the 2nd round of PPP. Thank you

A: I have limited background on the Shuttered Venue Grant program, but I don't believe your lines of business noted will qualify - eligible businesses include: motion pic theater operators, talent agents, live venue/performing arts operators & museum operators. No SBA guidance or application forms are out yet on this program

Q: Is the second draw a repeat application of the first draw calculation in terms of qualified expenditures?

A: the borrowing base for Round 2 is whichever of the following is most beneficial to you: 1) 2019 calendar year average monthly payroll costs, 2) 2020 calendar year ave monthly payroll costs, or 3) the trailing 12 months average payroll costs to date of application. We see different outcomes under each and so encourage--calculate all 3 to be sur you max your loan!

Q: Can a loan amount be requested for wages you expect to pay in the next 12 months (say for new hires)?

A: no, the loan borrowing base is strictly a backwards looking calculation, using one of the 3 methods in my prior response

Q: What is best way to go after 2nd round....using 2019 payroll already used for 2019 or use 2020 payroll?

A: see my prior response--for many BUT NOT ALL, the CY 2019 average monthly payroll is your highest, but you should compute under all 3 methods!

Q: Business that did not go after 1st draw. Income is up comparing 2019 & 2020. Can they still apply & get funds? My income was down but not 25%. Can I get anything on 2nd round? I got funds for 1st draw?

A: Unfortunately no-you must be able to document a 25+% 2020 calendar quarter vs. same quarter in 2019 decline in gross receipts (NOT net profit or gross profit) to qualify in Round

Q: What is the time period of the second draw? First draw was 24 weeks starting in March?

A: Round 2 has an 8 to max 24 week "spendout" covered period to qualify for forgiveness. You may self-select the exact date within that range to end your covered period. ALSO-even if you can't get it all spent within the 60/40 payroll/non-payroll split during the 24 weeks, any leftover is simply a loan vs. forgiven debt.

Q: How do you prove that you have used all of the first draw funds?

A: Your certification on the Round 2 loan that you have used or will use Round 1 funds before receipt of Round 2 funding is all that's needed for the SBA. Your lender may require more documentation of usage.

Q: When I submit the documentation for forgiveness, can I include PPE that we purchased prior to the date of receiving the 2nd Draw PPP?

A: If you have NOT submitted your Round 1 forgiveness app, you can include PPE costs incurred during your self-selected Round 1 covered period IF you need to fill up that 40% cost bucket to get to full forgiveness.

Q: If my first PPP covered thru Sept 2020, The covered period would start in October?

A: No, The date of funding of your Round 2 loan would be the start of your Round 2 covered period. Between Sept 2020 and that date, those costs spent don't count towards either loan's covered period.

Q: My company received a first round loan and was 100% forgiven. We would like to apply for a second round and include our affiliate this time. Our bank has recommended that our affiliate will be required to apply for a first round loan separately from the parent company. Can you confirm? Will the maximum of \$2mil still apply for EACH applicant or combined?

A: Yes, your bank's direction is correct. Also, be aware there is a \$4 million cap on Round 2 loans for corporate groups (parent/sub, not brother/sister corps)

Q: Does the CP have to differ from the quarter demonstrating 25% gross revenue reduction?

A: Your self-selected covered period operates independent from your calendar 2020 quarter 25+% revenues reduction test.

Q: Does the tailoring of coverage period apply only to 2nd draw or does it apply to 1st draw if you have not submitted for forgiveness?

A: The self-select 8-24 week CP rule is available for BOTH Round 1 and 2 loans!

Q: Does the covered period for wages for a 2nd draw start when you receive the loan or can you pick a start date after your 1st draw forgiveness?

A: Your Round 2 CP will start on the date the funds are posted into your account.

Q: Limit per employee is \$100K annual in payroll, Can I assume that insurances/retirement funding is considered as additional expenses above and beyond the \$100K limits?

A: Your understanding is correct for C Corporations.

Q: I'm a S Corp. The same?

A: For S Corp. max for 2% or greater shareholder is \$100K, including insurance